

ROUTING AND TRANSMITTAL SLIP

Date

19 October 1987

TO: (Name, office symbol, room number,
building, Agency/Post)

Initials Date

1. Director of Personnel

2.

3.

4.

5.

Action	File	Note and Return
Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

#1 - ACTION

PLEASE PROVIDE RESPONSE FOR THE DDA'S

SIGNATURE.

SUSPENSE: 22 OCTOBER 1987

cc: Director of Logistics

DO NOT use this form as a RECORD of approvals, concurrences, disposals,
clearances, and similar actions

	Room No.—Bldg.
	Phone No.

5041-102

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SUBJECT FILE COPY

22 Oct 87

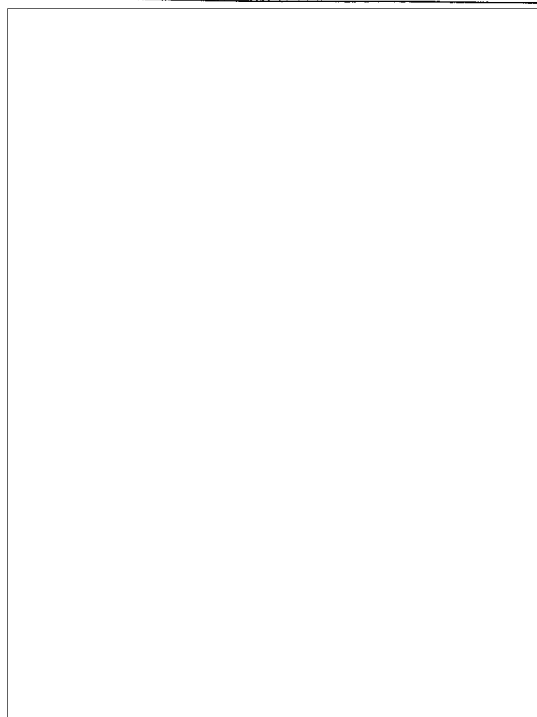
STAT [] in OP advised
that OGC has the action on
STAT the attached. []in OGC has been given the
original. Mary in ES
advised of change in
action component. sd

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STAT

**FROM
DIRECTOR OF CENTRAL INTELLIGENCE
TO
OFFICIAL INDICATED BELOW**

STAT



19 OCT 1987

- ☐ See me
- ☐ Note and return
- ☐ For your recommendation
- ☐ Prepare reply and return for my signature
- ☐ Respond over your signature
- ☒ What are the facts?
- ☐ Please handle
- ☐ Hold

Remarks: _____

Central Intelligence Agency

Covert Workers Disappear in the Pension Shuffle

BY CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, Oct. 18 — They dropped agents and propaganda in Communist China in night missions from Taiwan, ferried food and supplies through Vietnam antiaircraft fire to the French at Dien Bien Phu in 1954, delivered weapons to anti-Communists in Burma and Laos.

Ostensibly, their employers were private commercial companies with names like Civil Air Transport Company, Air America, Air Asia Company, Intermountain Aviation, Southern Air Transport. Actually, they were wholly owned subsidiaries of the Central Intelligence Agency.

At their peak in the mid-1960's, the C.I.A. companies together made up an airline almost the size of Trans World Airlines, operating about 200 airplanes and employing as many as 20,000 people. Now some of those employees are seeking a token of Government recognition. They have applied for credit toward Government pensions for their years as the covert troops of the Cold War.

But the Government, refusing to acknowledge any activities of the intelligence agencies in private business, has turned the employees down and has so far blocked their efforts to seek redress either through the civil service or the courts.

Many Companies Are Closed

Although many of the C.I.A. companies have long been closed down, the requests for pension credits trouble the agency because they could lead to disclosures of activities that it has never officially admitted, and that are undoubtedly continuing today in other forms.

Yet the Government's flat rejection of petitions from the members in its clandestine air force has stirred strong reactions within the large group that follows intelligence matters in this city.

"Can you imagine what the Russians would do if Gorbachev decided not to pay the pensions of the Amtorg people in New York," asked L. Fletcher Prouty, a retired Air Force colonel who ran many covert activities in the 1960's as chief of special operations with the Joint Chiefs of Staff. Amtorg is a Soviet trading company that is allegedly staffed by Soviet intelligence agents.

"I am absolutely amazed at this treatment," Colonel Prouty added.

One of those early warriors, Roy F. Watts, served 15 years with three C.I.A. companies and made 33 air drops flying C-119's over Dienbienphu in the spring of 1954. He has just petitioned for a Supreme Court review of a case for pension credits that he filed 17 years ago.

Mr. Watts, now a civilian employee of the Navy who has 23 years of officially recognized Government service, would take home \$4,000 a month if

he retired now with credits from the covert years, as against \$2,500 that he otherwise would draw.

"What I get from this case will never amount to what I put into it," he said in an interview. "It's now a matter of principle. I believe I have been denied due process these many years, and I'm frustrated and angry."

He was one of the pilots who, according to William M. Leary, a professor of history at the University of Georgia, "flew without protection, and benefits, of a uniform. Secret soldiers of the Cold War, they performed their demanding duties with professional excellence, sometimes at the cost of their lives."

The words are from Mr. Leary's book, "Perilous Missions," about the C.I.A.'s covert operations in Asia in the 1950's and 60's.

Mr. Watts worked for Civil Air Transport, Air Asia and Intermountain, all identified as C.I.A. companies by a former agency director, William E. Colby, in exhaustive hearings conducted by Senator Frank Church's Senate Select Committee on Intelligence in the mid-1970's.

In addition to making low-level cargo drops at Dien Bien Phu, Mr. Watts flew 14 hours into Communist China at night without navigational aids or weather information. On numerous occasions he landed by bonfire and flashlight, under fire, to pick up personnel.

"There sure were some hairy moments," said Mr. Watts, 63 years old, who works as a Navy aircraft and missile procurement reviewer in Crystal City, Va.

A Federal administrative law judge, William J. Weber, is supporting his case.

"We cannot, with impunity, overlook those who quietly gave so much in their service of our country," Judge Weber said in a letter to President Reagan, asking for White House authority to "rise above the legal quagmire to quickly do justice on a higher level."

What especially riles Mr. Watts and his fellows is that when the C.I.A. companies were dismantled in 1975, some foreign employees fared better than the Americans.

One of Air America's biggest bases was in Taiwan. Records produced under the Freedom of Information Act showed that the Air Force paid \$4.5 million to the Taiwan Government to cover retirement and severance benefits for nearly 1,000 Taiwanese employees of Air America.

Taiwan's President, Chiang Ching-kuo, had refused to let assets owned by the American Government be removed or transferred to new owners until a settlement was reached with the local employees, some of whom had worked for the C.I.A. company for 25 years.

"Had we few Americans known this we could have taken out Chinese citizenship, and I would have spared my family this lifelong struggle," Mr. Watts said.

Other American airmen, foiled in their own efforts to obtain the pension credits, are closely following the Watts case. "I was a believer," said David H. Hickler, a pilot and crew chief who became assistant vice president of Air America in Laos. After leaving Air America in 1975, he sold Hughes helicopters.

"I busted my gut for 28 years," Mr. Hickler, who is now retired, said in a telephone interview from his home in Escondido, Calif. "I figured all the time that I was part of the Government. There was no difference between what I was doing and others who were working for the agency. But they got the Government benefits, and I did not. It's not fair."

"Government employee," according to Section 2105 of the United States Code, includes someone who works for a corporation "wholly controlled or wholly owned by the United States Government."

But Government lawyers apply another test, that an individual be "appointed" to a Government job by a person authorized to make the appointment.

On April 1, the United States Court of Appeals in the District of Columbia ruled that Mr. Watts was not "appointed" because he was never given an oath of office and had never executed a standard form or document.

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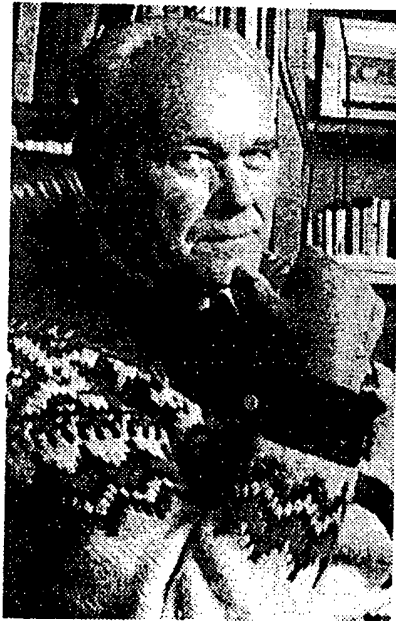
Specter of Bankruptcy

The appeals court also suggested that a decision in favor of Mr. Watts might lead to bankruptcy of the Government pension funds. A new category of Government employees would be formed, it said, "in numbers unknown, and without thought as to their effect on the actuarial soundness of the retirement fund."

Mr. Watts asserted, "How many others there are like me, and how their successful petitions would affect the ultimate soundness of the Federal retirement service, should certainly have been no concern to the court of appeals."

He alluded to the Iran-contra hearings in which Lieut. Col. Oliver L. North testified that the late C.I.A. director, William L. Casey, had dreamed of an "off-shore, stand-alone" agency through which the White House would carry out covert operations.

"I would argue," Mr. Watts said, "that, if the C.I.A. is above the law in regard to its current and former employees, it is already such an extra-governmental agency."



The New York Times/Paul A. Souders



The New York Times/Paul Hosefros

L. Fletcher Prouty, left, a retired Air Force colonel, ran many covert activities in the 1960's. Roy F. Watts, who worked 15 years for three C.I.A. companies, made 33 air drops over Dien Bien Phu in 1954.